

# Melville Douglas STANLIB Balanced Fund

Fund information update at 31 May 2020

## What is the fund's objective?

The objective of the fund is to deliver high growth of capital and income, a reasonable level of current income and relative stability for capital invested to obtain long term wealth accumulation.

## What does the fund invest in?

The fund is an actively managed multi-asset class mandate designed to reflect Melville Douglas's optimal long-term capital growth strategy. The fund focuses on delivering balance between investment returns and the risk associated with those returns, between capital growth and cash generation and balance between compound and cyclical price performers. The maximum equity effective exposure (including international equity) will not exceed 75% of the market value of the portfolio.

## What possible risks are associated with this fund?

General market risks: include a decline in property values, share price volatility, a change in interest rates and economic conditions. Where foreign securities are included in the portfolio there may be additional risks, such as potential constraints on liquidity and the repatriation of funds, macro-economic risks, political risks, tax risks, settlement risks, and potential limitations on the availability of market information.

## Risk rating

Conservative	Moderately conservative	Moderate	Moderately aggressive	Aggressive
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## What is the suggested investment period for this fund?

### Minimum period

1 Month	6 Months	1 Year	3 Years	5 Years	7 Years
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## Who should consider investing in this fund?

As this is a well-managed balanced portfolio, with the objective of delivering strong risk adjusted returns over time, this fund will suit investors that are looking for stable income and reasonable capital growth over the longer term.

## Income

**Distribution** Net income is calculated and accrued daily and is declared and distributed semi-annually.

**Declaration** 30 June, 31 December

## General fund information

**Manager(s)** Paolo Senatore and Susan Gawith

**Size (NAV)** R 286.01 million

**Classification** South African - Multi Asset - High Equity

**Benchmark** ASISA SA MA High Equity-Sector Mean

**Regulation 28** Complies

Regulation 28 of the Pension Funds Act sets the limits in terms of the maximum exposure the retirement fund and the individual retirement fund member's savings (i.e. your savings) may have to various asset classes. For more information please refer to the Regulation 28 Guidelines available on our website ([www.stanlib.com](http://www.stanlib.com)). This Fund complies with this Regulation.

### Class A

**Launch** 10 June 2002

### Class B1

02 January 2008

**ISIN number** ZAE000039459

ZAE000112678

**JSE code** MDDS

MDDB1

### Minimum investment requirements -

**Lump sum** R 10,000

R 10,000

**Monthly** R 500

R 500

## What are the costs to invest in this fund?

### Maximum charges including VAT

	Class A	Class B1
<b>Initial fee (manager)</b>	0.000%	0.000%
<b>Initial fee (adviser)</b>	3.450%	3.450%
<b>Annual fee (manager)</b>	1.725%	1.150%
<b>Annual fee (adviser)</b>	0.575%	0.000%
<b>Performance fee</b>	N/A	N/A

**Annual fee (manager)** – this is a service charge (% based) applicable to each class of a fund, that is levied on the value of your portfolio and includes the **Annual fee (adviser)** fee (where applicable). Annual fees are calculated and accrued daily and recovered monthly from the income awaiting distribution in the fund.

### Cost ratios (annual) including VAT as at 31 March 2020

	Class A	Class B1
<b>Based on period from:</b>	01/04/2017	01/04/2017
<b>Total Expense</b>	1.79%	1.22%
<b>Transaction Costs</b>	0.06%	0.06%
<b>Total Investment Charge</b>	1.85%	1.28%
<b>1 Year Total Expense</b>	1.81%	1.24%

**Total Expense (TER):** This ratio shows the charges, levies and fees relating to the management of the portfolio and is expressed as a percentage of the average net asset value of the portfolio, calculated over the period shown and annualised to the most recently completed quarter. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER should not be regarded as an indication of future TERs.

**Transaction Costs (TC):** This ratio shows the percentage of the value of the fund incurred as costs relating to the buying and selling of the fund's underlying assets. TC are a necessary cost in administering the fund and impacts fund returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of fund, investment decisions of the investment manager and the TER.

**Total Investment Charges (TIC):** This ratio is simply the sum of the TER and TC, showing the percentage of the value of the fund incurred as costs relating to the investment of the fund. It should be noted that performance figures account for all costs included in the TIC ratio, so you should not deduct the TIC from performance figures, the performance is already net of the TIC.

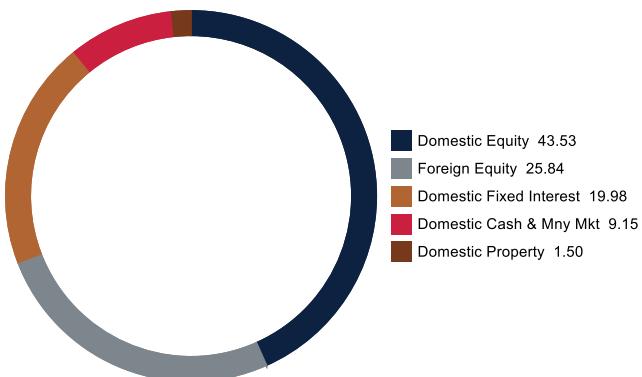
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# Melville Douglas STANLIB Balanced Fund

Monthly update at 31 May 2020

## Holdings

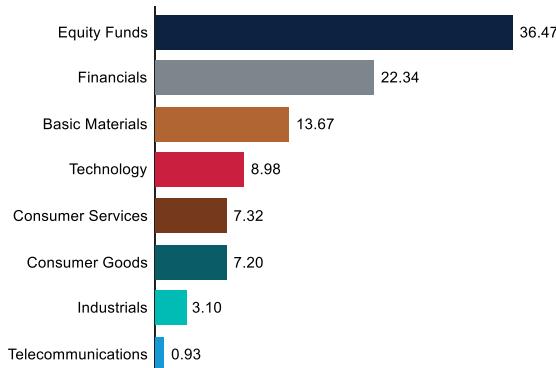
### Asset allocation (%)



### Top Equity holdings (%)

Naspers Ltd	4.08
Anglo American Plc	3.95
Santam Ltd	3.20
BHP Group Plc	2.88
Mondi Plc	2.86
Bid Corp Ltd	2.75
Prosus NV N (ZAR)	2.28
Standard Bank Group Ltd	2.12
FirstRand Ltd	2.10
Sanlam Ltd	1.97

### Equity allocation (Industry) (%)



### Fixed Interest allocation (%)



## Performance and Income

Class A Launch: 10 June 2002

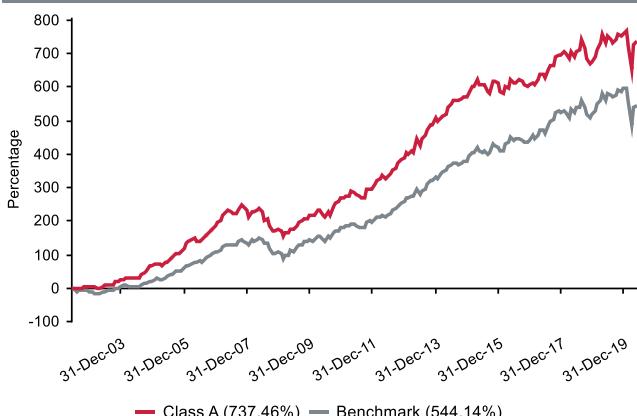
Class B1 Launch: 02 January 2008

Benchmark: ASISA SA MA High Equity-Sector Mean from 01/04/2020, previously FTSE/JSE Capped SWIX ALSI (FTSE/JSE ALSI from launch to 31/12/2019) (55%); JSE ALBI (15%); MSCI World (15%); STeFI Call (15%) from launch.

Returns (%)	1yr	3yrs	5yrs	7yrs	10yrs
<b>Class A</b>					
Class	0.80	4.16	3.41	6.36	10.20
Rank/Out of	77/194	23/169	40/117	14/78	4/49
Sector Average	-0.45	2.02	2.91	5.36	8.15
Benchmark	-2.45	3.99	4.85	7.26	10.07
<b>Class B1</b>					
Class	1.37	4.75	3.99	6.70	10.41

Returns (%) shown are cumulative for all periods shorter than or equal to 1 year and annualised for all periods greater than 1 year.

### Cumulative performance (%) from Launch



Statistics (%)	1yr	3yrs	5yrs	7yrs	10yrs
<b>Class A</b>					
Positive Months	7	23	34	53	77
Max Gain	10.89	19.19	27.56	64.37	176.12
Max Drawdown	-12.86	-12.86	-12.86	-12.86	-12.86
Highest	10.77	13.42	13.42	25.63	27.90
Lowest	-9.16	-9.16	-9.16	-9.16	-9.16
<b>Class B1</b>					
Highest	11.40	14.06	14.06	25.27	27.54
Lowest	-8.63	-8.63	-8.63	-8.63	-8.63

Highest – this reflects the highest 12 month return during the period.

Lowest - this reflects the lowest 12 month return during the period.

### Amount declared (cents per unit)

	Class A	Class B1
28 June 2019	8.53	10.00
31 December 2019	6.30	7.86
In last 12 months	14.83	17.86
In 2019	14.83	17.86

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# Melville Douglas STANLIB Balanced Fund

Quarterly update at 31 March 2020

## Who are the investment managers?

Since 1983 Melville Douglas has been delivering superior investment returns across a number of asset classes. As a global boutique investment management company within the Standard Bank Group, we are uniquely positioned to offer domestic and offshore investment solutions. What truly sets Melville Douglas apart is our experienced investment team and our approach to investing – driven by balance, a long-term view and a commitment to fundamental research – which informs our investment decisions across the board.



**Paolo Senatore**  
MSc (Mechanical Engineering)  
Strategist



**Susan Gawith**  
BSc, MBA  
Portfolio Manager

Paolo joined Melville Douglas in 2018 as a strategist and co-manages the Melville Douglas STANLIB High Alpha Fund. Prior to this he was with the FirstRand Group since 1995, gaining over 20 years' financial market experience. During 2000, he became chief investment officer of RMB Private Bank Portfolio Management and held the responsibility of growing the specialised institutional business. He was chief investment officer for Ashburton Investments, FirstRand's asset management initiative, since its inception and was instrumental in consolidating the group's various asset-management businesses and investment processes. He holds an MSc (Mechanical Engineering).

Before joining Melville Douglas in 2006, Susan was a rated sell-side analyst covering consumer stocks, and is now Melville Douglas's lead analyst on the retail, hotel and leisure sectors. She is also the co-manager of our key long-term capital growth fund – the Melville Douglas STANLIB Dynamic Strategy Fund (ZAR). Susan holds a BSc degree and an MBA.

## Fund review

2020 has been an extremely testing period for South African investors. In addition to dealing with a global equity sell off precipitated by the COVID-19 pandemic, SA has suffered low growth and a ratings downgrade. In times of such extreme volatility the diversification provided by a balanced fund does provide some welcome protection. For the year to date the capped SWIX fell by 26.6%. Our fund has fallen 11.0% for the year to date and 7% in March, with modest gains for cash and our offshore holdings in Rands protecting the value of the capital entrusted to us to an extent. During the period we have sold out of two holdings entirely, being Adapt IT and Old Mutual. We have added to a number of high-quality names that we feel are offering value, including Capitec, FirstRand, Sanlam, Santam and Bidvest. We did not own Sasol, which has been one of the market's worst performers. Our basic material exposure is through BHP, Anglo American and Mondi. Although there does seem to be significant value in the market, we are very cautious about the earnings outlook and will continue to add cautiously and patiently. We had added significant offshore exposure to the portfolio in December when the rand looked unsustainably strong, taking our weighting from 18% to 25%. The subsequent rand movement meant that we had to sell some offshore equity to bring the fund back in line with its mandate. The bulk of the offshore holding is through the MD Global Equity Fund, and the fund managers have been hard at work this quarter ensuring that the portfolio quality is top notch. They have sold all holdings with balance sheet or outlook concerns and used the market correction to buy blue chip businesses. We didn't alter bond exposure or duration in the period.

## Market overview

Global equities bounced back strongly during the last week of March and were "only" down 21% year to date. Within developed markets, the US and Japan lead the pack. The performance from the EM universe was perhaps better than expected, but one needs to consider China's large weight in the index and that the Chinese equity indices were some of the best performing markets given that economic activity started to "normalise". From a currency perspective the safe-haven currencies, USD, CHF and Japanese Yen continued to outperform. The domestic ZAR was one of the worst performing currencies in the quarter and depreciated by more than 20% against some of the major currencies, all of this before Moody's credit downgrade. Brent crude was the worst performing commodity and has declined by 66% this year on supply and growth concerns. Consumers will benefit less from lower oil prices because of the lockdown in SA, but the lower oil price should continue to help the trade balance. In South Africa, the credit downgrade had little if any effect on asset prices, with both the Rand and Bond prices remaining largely unchanged. Equity returns were however sharply down year-to-date with the capped SWIX falling by 26.6%, and domestic orientated shares such as the banks, retailers and real estate companies underperforming the domestic market as growth concerns set-in. But is wasn't just equities that performed poorly, SA bonds also sold off very aggressively with bond yields touching 12% at one stage as foreign investors ran for safety and exited EM assets.

## Looking ahead

The outcome of the COVID-19 virus is very different in countries like Italy and South Korea which are further along the curve than us. This means we have very little certainty about when more normal economic activity returns to SA and the global economy. It seems very likely that SA and the world will enter a recession as a result, but the duration and severity is hard to predict. From the bottom up equity analysis, we have conducted on our domestic and offshore equities it appears that the market is in mainly pricing in the worst-case scenario. On Friday 27th March 2020 and after the domestic market had closed, Moody's cut South Africa's credit rating a notch lower to non-investment grade (Ba1) with a negative outlook. The key driver behind the ratings downgrade is the continuing deterioration in South Africa's fiscal strength and the structurally very weak economic growth trajectory. At current levels we believe bonds offer value and in our bond fund we will buy at these levels and higher to increase the duration of the fund. In SA the SARB has further scope to cut rates. We expect that there will be continued volatility and we think that equity investors will need to be patient. Ultimately lower interest rates, improved global liquidity and a levelling off of the virus should see equity valuations normalise and recover.

The commentary gives the views of the portfolio manager at the time of writing. Any forecasts or commentary included in this document are not guaranteed to occur.

## Change in allocation of the fund over the quarter

Asset type	Q1 2020	Q4 2019	Change
Domestic Cash & Mny Mkt	6.04	9.42	-3.37
Domestic Equity	48.58	51.45	-2.87
Domestic Fixed Interest	15.65	15.02	0.64
Domestic Property	1.45	2.98	-1.53
Foreign Cash & Mny Mkt	1.19	0.00	1.19
Foreign Equity	27.08	21.14	5.94

The portfolio adhered to its portfolio objective over the quarter.

## Fund classes

Class	Type	Price (cpu)	Units	NAV (Rand)
A	Retail	462.34	2,656,486.40	12,282,024.75
B1	Retail	463.02	50,755,060.11	235,004,572.57

All data as at 31 March 2020.

Units – amount of participatory interests (units) in issue in relevant class.

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# Melville Douglas STANLIB Balanced Fund

Important information update at 31 May 2020



## Disclosures

Collective Investment Schemes in Securities (CIS) are generally medium to long term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to future performance. CIS are traded at ruling prices and can engage in borrowing and scrip lending.

The Melville Douglas STANLIB Balanced Fund is a portfolio of the STANLIB Collective Investment Scheme (the Scheme).

The manager of the Scheme is STANLIB Collective Investments (RF) (Pty) Limited (the Manager). The Manager is authorised in terms of the Collective Investment Schemes Control Act, No. 45 of 2002 (CISCA) to administer Collective Investment Schemes (CIS) in Securities. Liberty is a full member of the Association for Savings and Investments of South Africa (ASISA). The Manager is a member of the Liberty Group of Companies. The manager has a right to close a portfolio to new investors in order to manage the portfolio more efficiently in accordance with its mandate. The Manager does not provide any guarantee either with respect to the capital or the return of a CIS portfolio. A schedule of fees and charges and maximum commissions is available on request from the Manager.

The trustee of the Scheme is Standard Chartered Bank.

The investments of this portfolio are managed, on behalf of the Manager, by Melville Douglas Investment Management (Pty) Ltd, an authorised financial services provider (FSP), FSP No. 595, under the Financial Advisory and Intermediary Services Act (FAIS), Act No. 37 of 2002.

Prices are calculated and published on each working day, these prices are available on the Manager's website ([www.stanlib.com](http://www.stanlib.com)) and in South African printed news media. This portfolio is valued at 15h00. Forward pricing is used. Investments and repurchases will receive the price of the same day if received prior to 15h00.

This portfolio is permitted to invest in foreign securities. Should the portfolio include any foreign securities these could expose the portfolio to any of the following risks: potential constraints on liquidity and the repatriation of funds; macroeconomic risks; political risks; foreign exchange risks; tax risks; settlement risks; and potential limitations on the availability of market information.

This portfolio is a third party named, co-named portfolio. The Manager retains full legal responsibility for this portfolio. A third party named, co-named portfolio is a portfolio bearing the name of both the Manager and the financial services provider (FSP) where the FSP, under an agreement with the Manager, undertakes financial services of a discretionary nature, as contemplated in the Financial Advisory and Intermediary Services Act, Act No. 37 of 2002 (FAIS), in relation to the assets of the portfolio. Melville Douglas Investment Management (Pty) Ltd, an authorised FSP, FSP No. 595, FAIS, is the third party manager of this portfolio.

The FSP is a related party to the Manager, the FSP may earn additional fees other than those charged by the Manager. It is the responsibility of the FSP to disclose additional fees to the investor. This document is not advice, as defined under FAIS. Please be advised that there may be representatives acting under supervision.

All performance returns and ranking figures quoted are shown in ZAR and are based on data sourced from Morningstar or Statpro and are as at 31 May 2020.

Annualised return figures are the compound annualised growth rate (CAGR) calculated from the cumulative return for the period being measured. These annualised returns provide an indication of the annual return achieved over the period had an investment been held for the entire period. Actual annual figures are available on request from the Manager.

Portfolio performance figures are calculated for the relevant class of the portfolio, for a lump sum investment, on a NAV-NAV basis, with income reinvested on the ex-dividend date. Individual investor performance may differ due to initial fees, actual investment date, date of reinvestment of income and dividend withholding tax. Portfolio performance accounts for all costs that contribute to the calculation of the cost ratios quoted, all returns quoted are after these costs have been accounted for.

Statistics - Positive Months: the number of individual 1 month periods during the specified time period where the return was not negative; Max Gain: the maximum gain in a trough-to-peak incline before a new trough is attained, quoted as the percentage between the trough and the peak. It is an indicator of upside risk over a specified time period (quoted for all periods of 1 year or longer); Max Drawdown: the maximum loss in a peak-to-trough decline before a new peak is attained, quoted as the percentage between the peak and the trough. It is an indicator of downside risk over a specified time period (quoted for periods of 1 year or longer, where no value is shown no loss was experienced); Highest and Lowest: the highest and the lowest 1 year return (%) that occurred during the specified time period (quoted for all relevant classes launched 1 year or more prior to current month end date).

Additional information about this product including, but not limited to, brochures, application forms and annual or quarterly reports, can be obtained free of charge, from the Manager and from the Manager's website ([www.stanlib.com](http://www.stanlib.com)).

## Contact details

### Manager

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### Third Party Manager

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